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State of California

Health and Human Services Agency

Agenda Item #4c
01/23/02 Meeting

January 16, 2002

Dennis Smith
Director
Center for Medicaid and State Operations
7500 Security Boulevard, Mail Stop 52-26-12
Baltimore, MD 21244-1850

Dear Mr. Smith,

Thank you for your letter of January 10th requesting that California re-submit our pending parent coverage waiver request. This proposal will eventually provide health insurance to over 300,000 parents of children enrolled in California's Healthy Families Program.

The California Health and Human Services Agency (CHHS) submitted a Section 1115 waiver request for parent coverage to the federal government over one year ago, in December 2000. Last May, CHHS and the Centers for Medicare and Medicaid Services (CMS) reached agreement on the draft terms and conditions for the waiver proposal. Since then, California has met all subsequent CMS requests in a timely manner. In fact, there have been no outstanding requests or issues regarding this waiver for several months.

During our conversations together, CHHS has consistently made clear our strong desire for quick approval of this waiver. In our most recent discussion, on January 9th, I again stated our willingness to repackage the existing waiver submission into the new Health Insurance Flexibility and Accountability (HIFA) Initiative format, if CMS believed doing so to be helpful. Since our waiver does not require any of the new HIFA demonstration flexibility, CHHS asked for assurance that no additional, substantive changes in the waiver would be necessary and that the new submission would be approved in a timely manner.

These basic requests were made for several reasons. First, after a substantive review of the HIFA template, it was clear that CMS would have to drop several HIFA requirements in order for California's waiver to be approved as is. For example, the HIFA requirement to use gross vs. net income in our eligibility calculation would have to be set aside as this requirement would have greatly reduced the number of persons eligible for the program. In

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addition, California's waiver has already been pending with the federal government for over a year.

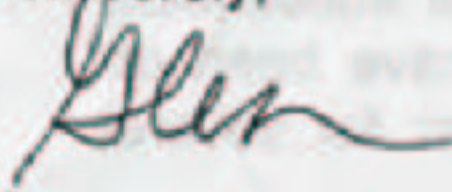
Having now been given your assurance that our waiver is approvable, CHHS is pleased to submit it in the HIFA format (attached).

As you may know, California, like many states, is in a very difficult budget environment, and the Governor has asked the Legislature to delay the initiation of enrollment under the waiver. The Legislature is currently evaluating this request. Nevertheless, the Governor and the Secretary are eager to conclude this phase of the waiver process with the federal government.

The California Health and Human Services Agency, the Managed Risk Medical Insurance Board, and the Department of Health Services are also thankful for the work that federal staff have done in reviewing our request. If there is anything further my staff or I can do to help move this process forward, please do not hesitate to contact us.

Again, thank you for your continuing commitment to this effort.

Sincerely,



GLEN ROSSELLI
Undersecretary

Attachment

cc:

Secretary Tommy Thompson
Federal Department of Health and Human Services

Administrator Tom Scully
Centers for Medicare and Medicaid Services

Secretary Grantland Johnson
California Health and Human Services Agency

Director Diana Bonta
California Department of Health Services

Sandra Shewry
California Managed Risk Medical Insurance Board